

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Charles A. Ransom District Library

Allegan County, Michigan

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year ended June 30, 2005

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS:	
Statement of net assets and governmental fund balance sheet	4
Statement of activities/statement of revenues, expenditures, and changes in fund balance	5
Notes to financial statements	6 - 10
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary comparison schedule - General Fund	11

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charles A. Ransom District Library**

We have audited the accompanying financial statements of the governmental activities and the major fund of Charles A. Ransom District Library, as of June 30, 2005, and for the year then ended, which collectively comprise the Library's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Charles A. Ransom District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Charles A. Ransom District Library as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule, on page 11, is not a required part of the basic financial statements of the Charles A. Ransom District Library, but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Charles A. Ransom District Library has not presented the management's discussion and analysis that Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

October 17, 2005

BASIC FINANCIAL STATEMENTS

Charles A. Ransom District Library**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**

June 30, 2005

	<u>General</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Cash	\$ 346,388	\$ -	\$ 346,388
Investments	55,783	-	55,783
Receivables	32,425	-	32,425
Fixed assets (net)	<u>-</u>	<u>654,649</u>	<u>654,649</u>
Total assets	<u>\$ 434,596</u>	<u>654,649</u>	<u>1,089,245</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>\$ 6,540</u>	<u>-</u>	<u>6,540</u>
FUND BALANCE			
Unreserved:			
Designated	118,570	(118,570)	-
Unreserved	<u>309,486</u>	<u>(309,486)</u>	<u>-</u>
Total fund equity	<u>428,056</u>	<u>(428,056)</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 434,596</u>		
NET ASSETS			
Invested in capital assets		654,649	654,649
Unrestricted		<u>428,056</u>	<u>428,056</u>
Total net assets		<u>\$ 1,082,705</u>	<u>\$ 1,082,705</u>

Amounts reported in the statement of net assets are different because:

When capital assets (land, buildings, equipment) that are to be used in *governmental activities* are purchased or constructed, the costs of these assets are reported as expenditures in the General Fund. However, the statement of net assets includes these capital assets among the assets of the Library as a whole.

Cost of capital assets	\$ 1,532,369
Accumulated depreciation	<u>(877,720)</u>
	<u>\$ 654,649</u>

See notes to financial statements

Charles A. Ransom District Library**STATEMENT OF ACTIVITIES/STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE***Year ended June 30, 2005*

	<u>General</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
EXPENDITURES/EXPENSES			
Recreational and cultural:			
Operations	\$ 340,897	\$ (27,112)	\$ 313,785
Depreciation	-	61,868	61,868
Total recreational and cultural	340,897	34,756	375,653
Capital outlay	37,494	(37,494)	-
Total program expenditures/expenses	378,391	(2,738)	375,653
PROGRAM REVENUES			
Charge for service	4,782	-	4,782
Fines and forfeitures	74,671	-	74,671
Total program revenues	79,453	-	79,453
GENERAL REVENUES			
Taxes	348,223	-	348,223
State grants	14,712	-	14,712
Investment return	5,709	-	5,709
Contributions and other income	3,251	(225)	3,026
Total general revenues	371,895	(225)	371,670
NET CHANGE IN FUND BALANCE	72,957	2,513	75,470
FUND BALANCE/NET ASSETS - BEGINNING	355,099	652,136	1,007,235
FUND BALANCE/NET ASSETS - ENDING	<u>\$ 428,056</u>	<u>\$ 654,649</u>	<u>\$ 1,082,705</u>
Net change in fund balance			\$ 72,957
Amounts reported in the statement of activity are different because:			
Capital assets:			
Assets acquired			64,606
Provision for depreciation			(61,868)
Loss on disposal capital assets			(225)
Change in net assets			<u>\$ 75,470</u>

See notes to financial statements

Charles A. Ransom District Library
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charles A. Ransom District Library (the Library) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Library. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Library has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Library's financial statements. Also, the Library is not a component unit of any other entity.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Library. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the nonexpendable trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charles A. Ransom District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Library.

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of GASB.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits and investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is proportionately allocated to all funds.

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are considered to be fully collectible.

iii) Other assets - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Charles A. Ransom District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Capital assets (continued) - Capital assets are depreciated using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	3 - 20 years
Materials	5 - 10 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the line item level. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of expenditures over appropriations in budgetary funds - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Library's significant budgetary violations are as follows:

<u>Fund</u>	<u>Line item</u>	<u>Amended budget</u>	<u>Actual expenditures</u>	<u>Variance</u>
General	Capital outlay	\$ 32,527	\$ 37,494	\$ 4,967

NOTE 3 - CASH AND INVESTMENTS:

A reconciliation of cash and investments to the Library's deposits and investments, as shown in the combined balance sheet, is as follows:

Financial statements:	
Cash	\$ 346,388
Investments	<u>55,783</u>
	<u>\$ 402,171</u>
Note to the financial statements:	
Deposits	\$ 400,718
Investments	<u>1,453</u>
	<u>\$ 402,171</u>

Charles A. Ransom District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

a) Deposits:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Library. Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Library's deposits are in accordance with statutory authority. At June 30, 2005, the Library has deposits with a carrying amount of \$400,718 and a bank balance of \$413,370. Of the bank balance, \$333,652 is covered by federal depository insurance and \$79,718 is uninsured.

Custodial credit risk is the risk that, in the event of failure of the bank, the Library will not be able to recover the value of its deposits. The Library has an investment policy that addresses custodial credit risk. As of June 30, 2005, the Library was exposed to custodial credit risk of \$79,718.

b) Investments:

State statutes authorize the Library to invest in: a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) national rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) investment pools, such as common trust funds and mutual funds that invest in those investments allowed by state statute. Not more than 50% of any fund may be invested in commercial paper.

c) Compliance with state statute governing investments:

The Library invests in corporate equities in the amount of \$1,453, which do not comply with Public Act 20 of 1943.

NOTE 4 - RECEIVABLES:

Receivables (all of which are due within one year) as of year end for the Library in the aggregate, are as follows:

Accounts	\$ 5,544
Taxes	6,395
Intergovernmental	<u>20,486</u>
Net receivables	<u>\$ 32,425</u>

Charles A. Ransom District Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated - land	\$ 21,216	\$ -	\$ -	\$ 21,216
Capital assets being depreciated:				
Buildings	898,152	1,012	-	899,164
Furniture and equipment	222,393	23,401	20,886	224,908
Materials	371,537	40,193	24,649	387,081
Subtotal	<u>1,492,082</u>	<u>64,606</u>	<u>45,535</u>	<u>1,511,153</u>
Less accumulated depreciation for:				
Buildings	471,946	20,213	-	492,159
Furniture and equipment	205,700	4,976	20,661	190,015
Materials	183,516	36,679	24,649	195,546
Subtotal	<u>861,162</u>	<u>61,868</u>	<u>45,310</u>	<u>877,720</u>
Total capital assets being depreciated, net	<u>630,920</u>	<u>2,738</u>	<u>225</u>	<u>633,433</u>
Capital assets, net	<u>\$ 652,136</u>	<u>\$ 2,738</u>	<u>\$ 225</u>	<u>\$ 654,649</u>

NOTE 6 - PENSION PLAN:

The Library provides pension benefits for full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Library's contributions are fully vested immediately. The Library is not a trustee of the plan, nor is the Library responsible for investment management of plan assets.

The Library made the required contribution of \$3,548 for the year ended June 30, 2005.

NOTE 7 - RISKS MANAGEMENT:

The Library is exposed to various risks of loss due to general liability, property and casualty, and employee injuries (workers' compensation).

The risks of loss arising from general liability up to \$1,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Charles A. Ransom District Library

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 313,536	\$ 313,536	\$ 348,223	\$ 34,687
Fines and forfeitures	64,200	64,200	74,671	10,471
State grants	13,891	13,891	14,712	821
Charge for service	5,200	5,200	4,782	(418)
Investment return	3,500	3,500	5,709	2,209
Contributions	6,000	6,370	3,251	(3,119)
Total revenues	<u>406,327</u>	<u>406,697</u>	<u>451,348</u>	<u>44,651</u>
EXPENDITURES				
Recreational and cultural:				
Salaries and wages	190,755	171,252	145,987	25,265
Payroll taxes	13,353	19,856	11,168	8,688
Employee benefits	28,912	25,512	18,696	6,816
Conferences and dues	2,500	944	944	-
Books	33,500	40,484	40,193	291
Periodicals	7,000	5,258	5,218	40
Audio visual	10,000	10,569	10,569	-
Supplies	15,500	17,469	18,111	(642)
Building and grounds	11,000	11,381	11,400	(19)
Utilities	15,000	14,910	12,599	2,311
Telephone	3,000	1,816	1,681	135
Professional services	20,400	37,365	37,235	130
Insurance	7,500	8,703	8,703	-
Cooperative	3,000	1,477	1,477	-
Automation	13,900	12,061	12,000	61
Repair and maintenance	2,500	4,916	4,916	-
Total recreational and cultural	<u>377,820</u>	<u>383,973</u>	<u>340,897</u>	<u>43,076</u>
Capital outlay	<u>16,007</u>	<u>32,527</u>	<u>37,494</u>	<u>(4,967)</u>
Total expenditures	<u>393,827</u>	<u>416,500</u>	<u>378,391</u>	<u>38,109</u>
NET CHANGE IN FUND BALANCES	12,500	(9,803)	72,957	82,760
FUND BALANCES - BEGINNING	<u>355,099</u>	<u>355,099</u>	<u>355,099</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 367,599</u>	<u>\$ 345,296</u>	<u>\$ 428,056</u>	<u>\$ 82,760</u>